

ORTON, KENT & CO.

MEMBERS NEW YORK STOCK EXCHANGE

39 BROADWAY

NEW YORK

TELEPHONE 8510 WHITEHALL

RESEARCH SERVICE CORPORATION

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CORPORATION FILE

BRANCHES

NEWARK, N. J.
60 PARK PLACE
MITCHELL 8321

PHILADELPHIA, PA.
1518 WALNUT STREET
PENNYPACKER 7431

UPTOWN

NEW YORK, N. Y.
SALMON TOWER BUILDING
11 WEST 42ND STREET
CHICKERING 2760

STATISTICAL DEPT.

September 4, 1929.

THE KROGER GROCERY & BAKING CO.

In 1902, when the present company was incorporated actual physical plant included 40 grocery stores whose sales for that year were recorded at \$1,750,610. With concentrated forces, all working under a central unit, excellently managed, the company closed the fiscal year of 1928 with 5,260 stores aggregating \$207,372,550 in sales and with net profits totalling \$5,323,585 equal to \$3.28 earnings per share. This is indeed a remarkable tribute to the management under W. H. Albers, who has been president of the company since 1917. Kroger Grocery has now attained an enviable position as the second largest grocery chain store system in the country, operating in Ohio, Kentucky, Indiana, Missouri, Michigan, Illinois, West Virginia and Pennsylvania.

A feature worthy of note is the fact that the company has over 2,500 meat departments in its 5,300 grocery stores, together with fruit and vegetable departments which are carried in all retail units. The company produces many of the products it sells by operating its own bread, cake and cracker bakeries, coffee roasting plants and a general manufacturing plant for making candies, spices, teas, extracts, etc. In addition to handling advertised brands it has developed its own "Country Club" brand for about 100 different items. In 1928 Kroger Company purchased the stock of Piggly Wiggly Corporation. The Piggly Wiggly Corporation has a complete system covering the self-service type of retail grocery. It licenses independent retailers who operate under the company's name. Each operator pays a royalty of one-half of one per cent on gross sales for the privilege of using the Piggly Wiggly type of store fixtures, and for the advantages of the company's purchasing facilities. At present there are about 3,000 such stores being operated.

Indications for the current year have shown still further sales gains leading to estimates for the year of \$300,000,000. To substantiate this, figures already have been gathered for the 31 weeks ended August 31, 1929, totalling \$168,179,724 against \$114,623,774 for the corresponding period of 1928, an increase of 46.7%. For the five weeks ended August 3rd, sales amounted to \$27,547,049 against \$19,361,546, for a similar period of 1928, a gain of 42.2%. With the advent of the fall season when business is at its height now at hand we see no reason to believe that the above estimate of gross sales will not be realized.

The following table for the past five years compares in the following manner, with 1929 figures all estimated:

Year	No. of Stores	Gross Sales	Net Income	Earned per Share
1929	†5,465	*\$300,000,000	*\$9,000,000	**\$5.02
1928	5,260	207,372,550	5,323,585	3.28
1927	3,764	161,261,353	4,377,104	2.70
1926	3,369	146,009,373	4,215,386	2.59
1925	2,856	116,235,437	3,517,598	2.06

* Estimated.

** On basis of 1,698,794 common shares.

† Number of stores in operation up to and including the 10th of August.

Comparative Quick Assets Position as of December 31, 1928 and December 31, 1927.

	December 31, 1928	December 31, 1927
Current Assets:		
Cash	\$ 7,242,311.43	\$ 1,903,498.92
Marketable Securities	1,122,229.85	
Accounts and Notes Receivable:		
Customers	443,044.65	193,710.29
Officers and Employees	120,190.44	16,819.26
Claims and Advances	301,734.31	198,213.40
Inventories (at Cost not in excess of market)	21,784,495.95	12,244,169.80
Total Current Assets	\$31,014,006.63	\$14,556,411.67
Current Liabilities:		
Accounts Payable	\$ 8,086,036.37	\$ 3,933,279.14
*Notes Payable	561,746.01	
Accrued Expenses	352,744.21	107,515.81
Dividends declared and payable	2,363.75	2,363.75
Provisions for Federal Taxes	825,798.87	690,808.86
Total Current Liabilities	\$ 9,828,689.21	\$ 4,733,967.56
Net Working Capital	\$21,185,316.00	\$ 9,822,445.00



It will be noted that the company was in a sound financial condition at the end of 1928 with a working capital of slightly under \$10,000,000. Current assets were three times current liabilities, with cash and marketable securities amounting to \$8,364,541. Dividends are being paid on the common shares at the rate of \$1 in cash and 5 per cent in stock to return a yield of 6 per cent on the current market price.

CAPITALIZATION

No Funded Debt

Capital Stock	Authorized	Outstanding
6% Cumulative 1st Preferred (\$100)	\$81,400	\$81,400
7% Cumulative 2nd Preferred (\$100)	65,300	65,300
7% Cumulative Preferred (\$100)	146,700	None
Common (no par)	3,000,000 Shares	1,698,794 Shares

COMMENT AND OUTLOOK

Rumors have been persistent, although officially denied, that Kroger contemplates merging with First National Stores which would give them an entry to the East. Such an occurrence would result in an addition of 2,355 stores whose estimated sales for the entire year of 1929 have been computed at \$100,000,000. Currently selling at 88 or almost 18 times its indicated earnings, the stock offers an unusual attraction for a long term holding. At 20 times indicated earnings quotation would be around 100 which would not be exorbitant when consideration is taken that Atlantic & Pacific common, traded over the counter, is selling around 30 times its earnings.

